

**Oral Testimony Before the Connecticut Joint Finance Committee
General Electric Company
Monday February 9, 2009**

My name is Scott Roberti and I am Director of State Tax Policy for the General Electric Company. We are proud that Connecticut is home to our world Headquarters and in addition, our financial service business is located here. GE has over 6,000 employees with payroll and benefits in excess of \$2 billion annually. We make annual purchases from CT based business in excess of \$800MM and our employees are extremely active in the communities we work and live in. Some examples include the \$20MM grant we gave the Stamford school district and our active involvement with great organizations like Habitat for Humanity.

I am here today to speak in opposition to these tax bills. We all understand we are experiencing one of the most challenging economic times in recent memory. Federal, state and local governments are facing mounting budget deficits, businesses are adjusting to reduced demand for their products and citizens are facing uncertain times. GE is not immune to this, we recently released our 4th qtr results and our earnings were down year-over-year by 19% primarily led by the weakness in the financial sector. We are reacting to the changing environment by making fundamental changes to our financial services business and expect earnings for that business to be reduced by approximately 40% in 2009 vs. 2008. Therefore, this is not the time to be significantly increasing the cost of doing business on the very companies that are being asked to create jobs and invest in CT.

We believe these bills or any effort to significantly increase the cost of investing in CT will slow the states ability to recover from this deep recession. We believe the better course of action should be focused on encouraging economic development,

making government services more efficient through the use of technology and “if” revenue raisers are needed they should be designed as short-term solutions until the economy recovers vs. long-term structural changes that will dampen investment for decades to come.

Specifically:

With regard to combined reporting and its stated policy objective of closing “loopholes”. I would like to point out that the Commissioner of Revenue services currently has a complete tool box of laws, regulations and rules in which to combat any abuses. These rules have been enacted over the past decade and a list is included with my written testimony. Revenue predictions from combined reporting are unpredictable and it poses an extreme administrative burden on the State and taxpayer. Combined reporting is a fundamental structural change that is not conducive to attracting and maintaining the industries that drive CT’s economy.

The Sales tax proposals – CT currently has one of the broadest sales taxes in the country. Only a handful of states even tax services. However, the series of sales tax bills with effective dates of April 1, 2009 would clearly put CT on an island of her own. These provisions will disproportionately tax companies that are headquartered here by...1) taxing charges between affiliated entities...which is double taxation; and 2) subjecting consulting, accounting and legal services to tax. As a public company we are rightfully required to have an annual independent audit...this would now be subject to tax. These bills would serve as a stop sign to any company currently headquartered here and clearly be a significant deterrent to any company looking to move into CT. As you may know, GE’s service and manufacturing businesses are closely monitored based on a stat we refer to as

operating profit, which is basically revenues less the costs of products and services. All the above-the-line taxes, such as these sales tax proposals, count against GE's operating profits. Therefore, the only way for our CT based businesses to meet their operating margin targets is to find offsetting reductions, which would have to come out of payroll and investment in CT.

The business community understands the times we are in and wants to partner with Government to find solutions. I have had the privilege of serving on two committees in recent years aimed at business taxes. These committees brought diverse groups together with Government to study methods in which to tax. I strongly encourage this body to do something similar. We understand the urgency needed and the business community is accustomed to acting quickly. Therefore, we are committed to working with the legislature in an accelerated timeframe to meet these challenges. The goal is to find a balanced solution that is aimed at making government more efficient, encouraging new investment and leading this wonderful state to the forefront of the recovery and not the trailing end as in recent recoveries.